



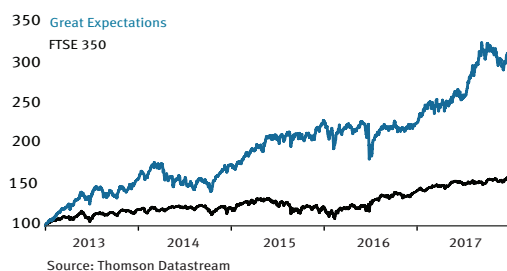
AlphaScreens: The might of momentum

Momentum strategies show persistent outperformance.

We run our Alpha momentum screen across three indices:

FTSE All-Share, All Small, and Aim

Great Expectations screen total return



Great Expectation criteria:

The Alpha momentum screens apply the idea of momentum not only to share price performance, but also to expected profit growth. The screen looks for strong forecast earnings per share (EPS) growth, but more importantly it looks for an improving trend in broker expectations. Indeed, EPS forecast upgrades can be considered the screen's primary focus.

- No companies pass all eight of our momentum tests on the FTSE All Share screen. There are 11 companies that pass 7/8, with the most commonly failed test (nine of those 11 companies) being forecast EPS growth of at least 10 per cent in the financial year after the current one.
- Our Small Cap screen, which uses the FTSE All Small Companies index (there is some cross-over with smaller All Share companies here), sees bio-decontamination equipment specialist, **Bioquell (BQE)** as the only company with a perfect score.
- On our Aim screen, **Fevertree (FEVR)** – whose name might be a byword for momentum – still scores 8/8. It is joined by investment manager **Miton Group (MGR)** and education software services company **Tribal Group (TRB)**.

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Alpha momentum criteria

The Alpha momentum screen is conducted separately on constituents of the FTSE All-Share, FTSE All Small and FTSE Aim All-Share indices, with the results from each screen reported in separate tables. The screen looks for stocks displaying three characteristics, each of which are tested using a few different criteria.

- **Earnings upgrade momentum:** EPS upgrades over the past 12 months of at least 10 per cent for both the current financial year and next financial year.
- **Earnings momentum:** Forecast EPS growth of at least 10 per cent in the current financial year and next financial year.
- **Price momentum:** Studies have found that the longer price momentum has persisted the more likely it is to be 'stale' and set to reverse. The Alpha momentum screen tests for strong share price performance over four different periods, which helps check price momentum remains fresh.

The screen looks for share price performance among the top quarter of shares screened over one year, and share price performance above the median (mid-ranking) average over six months, three months and one month.

Not many stocks pass such a stringent list of criteria. The ones that pass all the tests are listed at the top of the tables, followed by those failing one test, then those failing two tests as detailed in the 'Tests passed' column. All stocks must pass the EPS upgrade tests to feature in the tables. While the primary ranking of the stocks is based on the number of tests they pass, inside each of these groupings, stocks are ordered according to their attractiveness based on a combination of earnings upgrades over the past 12 months and three-month share price momentum.

Large-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Forward NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Tests failed
GVC Holdings	LSE:GVC	£6,547m	1,132p	14	25%	2.8%	38.3%	4.3%	29.4%	8m	EUR	7	>10% EPSgrth FY+2/
Computacenter	LSE:CCC	£1,762m	1,564p	21	31%	1.7%	12.4%	5.1%	23.5%	191m	GBP	7	>10% EPSgrth FY+2/
Softcat	LSE:SCT	£1,650m	837p	29	20%	2.7%	33.6%	3.2%	19.9%	43m	GBP	7	>10% EPSgrth FY+2/
JD Sports Fashion	LSE:JD.	£4,526m	465p	17	15%	0.4%	8.3%	11.5%	18.3%	310m	GBP	7	>10% EPSgrth FY+1/
Huntsworth	LSE:HNT	£380m	116p	15	19%	1.7%	19.8%	13.0%	18.2%	-38m	GBP	7	/1mthMom/
EVRAZ	LSE:EV.R	£7,907m	548p	7	167%	8.4%	116.8%	-29.1%	14.7%	-3,925m	USD	7	>10% EPSgrth FY+2/
Ashtead Group	LSE:AHT	£11,187m	2,305p	14	27%	1.4%	29.7%	8.3%	11.4%	-2,712m	GBP	7	>10% EPSgrth FY+2/
Smurfit Kappa	LSE:SKG	£8,499m	3,214p	-	22%	-	44.4%	-0.3%	6.2%	-2,886m	EUR	7	>10% EPSgrth FY+2/
Vesuvius	LSE:VSVS	£1,681m	622p	13	14%	2.9%	17.6%	6.8%	5.8%	-282m	GBP	7	>10% EPSgrth FY+2/
SSP Group	LSE:SSPG	£3,174m	690p	27	18%	1.4%	19.9%	8.2%	5.3%	-301m	GBP	7	>10% EPSgrth FY+2/
Bovis Homes Group	LSE:BVS	£1,516m	1,128p	12	13%	4.2%	40.2%	10.2%	-9.5%	145m	GBP	7	/3mthMom/
Electrocomponents	LSE:ECM	£3,261m	738p	21	26%	1.8%	22.8%	9.1%	19.0%	-66m	GBP	6	>10% EPSgrth FY+2/1mthMom/
IG Group Holdings	LSE:IGG	£3,376m	919p	17	29%	3.5%	-12.3%	5.2%	9.0%	202m	GBP	6	>10% EPSgrth FY+1/>10% EPSgrth FY+2/
The Vitec Group	LSE:VTC	£582m	1,295p	16	17%	2.4%	22.3%	5.2%	7.4%	-43m	GBP	6	>10% EPSgrth FY+2/1mthMom/
BHP Billiton	LSE:BLT	£90,406m	1,698p	13	43%	5.0%	34.8%	-0.4%	4.6%	-16,107m	USD	6	>10% EPSgrth FY+2/1mthMom/
InterContinental Hotels	LSE:IHG	£8,849m	4,712p	21	12%	1.7%	17.6%	7.8%	1.7%	-1,835m	USD	6	>10% EPSgrth FY+2/1yrMom/
Robert Walters	LSE:RWA	£513m	740p	16	24%	1.8%	16.5%	7.7%	1.5%	25m	GBP	6	>10% EPSgrth FY+2/1mthMom/
BP	LSE:BP.	£111,942m	561p	13	46%	5.6%	79.7%	-1.4%	1.3%	-38,067m	USD	6	>10% EPSgrth FY+2/1mthMom/
Royal Dutch Shell	LSE:RDSA	£239,674m	2,545p	-	48%	-	43.0%	10.9%	-1.0%	-61,003m	USD	6	/3mthMom/1mthMom/
Tullow Oil	LSE:TLW	£3,061m	220p	11	55%	-	24.3%	20.5%	-1.8%	-4,550m	USD	6	/3mthMom/1mthMom/
XP Power	LSE:XPP	£654m	3,420p	18	30%	2.3%	19.2%	10.5%	-3.1%	-47m	GBP	6	/3mthMom/1mthMom/
Hunting	LSE:HTG	£1,237m	753p	24	39%	-	466.3%	-19.5%	-4.0%	41m	USD	6	>10% EPSgrth FY+2/3mthMom/

Source: S&P CapitalIQ, 6 August 2018

Small-cap momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Forward NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt (-)	Currency	Tests passed (out of 8)	Tests failed
Bioquell	LSE:BQE	£96m	430p	35	26%	-	25.2%	10.5%	43.9%	15m	GBP	8	na
Huntsworth	LSE:HNT	£380m	116p	15	19%	1.7%	19.8%	13.0%	18.2%	-38m	GBP	7	/1mthMom/
The Vitec Group	LSE:VTC	£582m	1,295p	16	17%	2.4%	22.3%	5.2%	7.4%	-43m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Robert Walters	LSE:RWA	£513m	740p	16	24%	1.8%	16.5%	7.7%	1.5%	25m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
XP Power	LSE:PPP	£654m	3,420p	18	30%	2.3%	19.2%	10.5%	-3.1%	-47m	GBP	6	/3mthMom/1mthMom/

Source: S&P CapitalIQ, 6 August 2018

Aim momentum selection (passing at least 6 of 8 tests)

Name	TIDM	Market cap	Price	Fwd NTM PE	Av 12-month EPS upgrade	Dividend yield	Fwd EPS grth FY+1	Fwd EPS grth FY+2	3-month momentum	Net cash/debt(-)	Currency	Tests passed (out of 8)	Tests failed
Fevertree Drinks	AIM:FEVR	£4,191m	3,628p	68	36%	0.3%	25.4%	12.7%	29.4%	56m	GBP	8	na
Miton Group	AIM:MGR	£100m	66p	16	50%	2.1%	19.7%	21.0%	28.9%	20m	GBP	8	na
Tribal Group	AIM:TRB	£172m	88p	24	18%	1.1%	13.7%	12.8%	12.8%	14m	GBP	8	na
Impax Asset Mgmt	AIM:IPX	£328m	277p	20	103%	1.0%	93.7%	0.0%	57.6%	7m	GBP	7	/>10% EPSgrth FY+2/
FairFX Group	AIM:FFX	£213m	137p	28	18%	-	753.7%	-18.4%	38.1%	52m	GBP	7	/>10% EPSgrth FY+2/
Burford Capital	AIM:BUR	£3,702m	1,778p	19	65%	0.5%	0.6%	18.8%	22.3%	-362m	USD	7	/>10% EPSgrth FY+1/
Diversified Gas & Oil	AIM:DGOC	£580m	115p	16	76%	4.6%	29.2%	62.4%	22.2%	-57m	USD	7	/1mthMom/
AB Dynamics	AIM:ABDP	£239m	1,225p	36	24%	0.3%	21.2%	17.5%	21.9%	13m	GBP	7	/1mthMom/
RWS Holdings	AIM:RWS	£1,231m	450p	26	24%	1.4%	23.0%	11.1%	18.8%	-83m	GBP	7	/1yrMom/
IMImobile	AIM:IMO	£211m	323p	22	17%	-	31.3%	3.6%	16.0%	4m	GBP	7	/>10% EPSgrth FY+2/
boohoo group	AIM:BOO	£2,306m	201p	49	14%	-	26.9%	18.7%	13.5%	133m	GBP	7	/1yrMom/
Driver Group	AIM:DRV	£45m	84p	16	37%	-	-10.6%	11.3%	11.3%	1m	GBP	7	/>10% EPSgrth FY+1/
EKF Diagnostics Holdings	AIM:EKF	£153m	33p	29	53%	-	229.4%	-13.4%	9.3%	7m	GBP	7	/>10% EPSgrth FY+2/
Dewhurst	AIM:DWHT	£67m	1,130p	20	30%	1.1%	9.8%	27.6%	8.7%	18m	GBP	7	/>10% EPSgrth FY+1/
Harwood Wealth Mgmt	AIM:HW	£105m	168p	24	22%	1.9%	49.1%	17.2%	8.1%	14m	GBP	7	/1yrMom/
Dart Group	AIM:DTG	£1,372m	923p	10	103%	0.8%	51.6%	-3.8%	6.0%	202m	GBP	7	/>10% EPSgrth FY+2/
Gamma Communications	AIM:GAMA	£738m	786p	28	23%	1.1%	14.5%	10.4%	5.6%	32m	GBP	7	/1yrMom/
Midwich Group	AIM:MIDW	£517m	650p	25	14%	2.1%	15.3%	6.8%	5.2%	-22m	GBP	7	/>10% EPSgrth FY+2/
Volex	AIM:VLX	£114m	79p	10	26%	-	20.5%	7.4%	4.3%	10m	USD	7	/>10% EPSgrth FY+2/
Victoria	AIM:VCP	£1,004m	850p	18	35%	-	52.0%	0.9%	0.3%	-255m	GBP	7	/>10% EPSgrth FY+2/
Parity Group	AIM:PTY	£14m	14p	8	13%	-	-18.3%	11.5%	-0.4%	-2m	GBP	7	/>10% EPSgrth FY+1/
Learning Technologies	AIM:LTG	£706m	106p	44	31%	0.3%	16.0%	37.9%	-1.2%	1m	GBP	7	/1mthMom/
Blue Prism Group	AIM:PRSM	£1,253m	1,876p	-	247%	-	-	-	35.2%	55m	GBP	6	/>10% EPSgrth FY+1/>10% EPSgrth FY+2/
Conygar	AIM:CIC	£107m	178p	24	607%	-	504.5%	-0.8%	16.8%	36m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
Polar Capital	AIM:POLR	£559m	614p	16	25%	4.6%	3.9%	11.5%	13.5%	109m	GBP	6	/>10% EPSgrth FY+1/1mthMom/
Wynnstay Group	AIM:WYN	£100m	509p	14	13%	2.5%	11.1%	4.2%	9.2%	-7m	GBP	6	/>10% EPSgrth FY+2/1yrMom/
First Derivatives	AIM:FDP	£1,050m	4,060p	51	16%	0.6%	10.6%	8.8%	8.4%	-16m	GBP	6	/>10% EPSgrth FY+2/1mthMom/
Warpaint London	AIM:W7L	£177m	230p	17	13%	2.3%	45.8%	13.4%	5.0%	2m	GBP	6	/1yrMom/1mthMom/
Premier Technical Services	AIM:PTSG	£208m	188p	17	21%	0.9%	12.9%	9.7%	-1.4%	-22m	GBP	6	/>10% EPSgrth FY+2/1mthMom/

Source: S&P CapitalIQ, 6 August 2018

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